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This document prepared by
and when recorded return to:

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REGULATORY AGREEMENT

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COOK COUNTY RECORDER

THIS REGULATORY AGREEMENT is effective as of the 1st day of November, 1994 (this "Regulatory Agreement"), by and between the City of Chicago, Illinois (the "City"), an Illinois municipal corporation, by and through its Department of Housing ("DOH"), with offices at 318 South Michigan Avenue, Chicago, Illinois 60604, and American National Bank and Trust Company of Chicago, as Trustee under Trust Agreement dated April 21, 1992 and known as Trust No. 115421-07 (the "Trust"), and Austin Square Limited Partnership, an Illinois limited partnership, as sole beneficiary of the Trust (the "Beneficiary") (collectively, the Trust and the Beneficiary are referred to herein as the "Borrower"), having its offices at c/o City Lands Corporation, 5100 West Harrison Street, Chicago, Illinois 60644.

W I T N E S S E T H

WHEREAS, DOH is an executive department of the City established pursuant to Title 2 of the Municipal Code of Chicago, Chapter 2-44, Section 2-44-010, which supervises and coordinates the formulation and execution of projects and programs creating safe, decent and affordable housing for residents of the City; and

WHEREAS, the City has received an allocation of Community Development Block Grant funds ("CDBG Funds") under Title I of the Housing and Community Development Act of 1974, 42 U.S.C. §5301 et seq., as from time to time amended, supplemented and restated, which created the Community Development Block Grant program ("CDBG Program"); and

WHEREAS, the City has programmed \$11,215,000 of CDBG funds for its Multi-Family Loan Program in Program Year XX ("Multi-Family Program"), wherein acquisition and rehabilitation loans are made available to owners of rental properties containing five or more dwelling units located in low- and moderate-income areas;

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and

WHEREAS, DOH has funds available to its Strategic Neighborhood Action Program (the "SNAP Program") from CDBG Funds, Program Years XVIII, XIX and XX, in the amount of \$9,000,000, which are administered by DOH; and

WHEREAS, the City intends to make a Loan (as defined on Exhibit B) of Multi-Family Program funds and SNAP Program funds to the Borrower for the purposes set forth below, and has requested that DOH administer the Loan; and

WHEREAS, the Borrower will utilize the Loan proceeds in connection with the Project (as legally described on Exhibit A attached hereto and hereby made a part hereof and as further defined on Exhibit B attached hereto and hereby made a part hereof); and

WHEREAS, the Borrower has received from DOH, in connection with the Project, an allocation of low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code of 1986 (the "Tax Credits") in the amount of \$1,236,530; and

WHEREAS, as a specific condition precedent to the Borrower receiving the Loan and in connection with the allocation of Tax Credits to the Project, the Borrower has agreed to execute this Regulatory Agreement with the City governing the use of the Project;

NOW, THEREFORE, in consideration of the mutual promises and covenants hereinafter set forth, and of other valuable consideration, the Borrower and the City each agree as follows:

SECTION 1 DEFINITIONS AND INTERPRETATIONS

Additional definitions on Exhibit B hereto are hereby incorporated in this Section 1 by reference.

The following terms shall have the respective meaning assigned to them in this Section 1 unless the context in which they are used clearly requires otherwise:

"Affirmative Marketing Plan" shall mean the affirmative marketing plan submitted by the Borrower and approved by DOH, identifying those racial, ethnic and gender groups least likely to apply for housing in the Low-Income Project, and specifying the commercial media, community contacts and other means to be used to attract such groups to the Low-Income Project.

"Affordable Rent" shall mean the rent amounts determined by the City for rental housing pursuant to 24 C.F.R. §570.208(a)(3), as may be adjusted for unit size.

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"Annual Report" shall mean the report from the Borrower in substantially the form set forth in Exhibit C attached hereto and hereby made a part hereof, as the same may be amended from time to time.

"Applicable Fraction" shall have the meaning assigned to such term in Section 42(c)(1)(B) of the Code.

"Borrower" shall mean, initially, the Beneficiary and the Trust, collectively, and at any subsequent time of reference, the Person or Persons, if any, who shall succeed to the legal or beneficial ownership of all or any part of the Project.

"Business Day" shall mean a day on which banks in the City of Chicago, Illinois are not authorized or required to remain closed and which shall not be a public holiday under the laws of the State or any ordinance or resolution of the City of Chicago, Illinois.

"CDBG Act" shall mean the Housing and Community Development Act of 1974, 42 U.S.C. 55301 et seq.

"CDBG Funds" shall mean Community Development Block Grant funds awarded by HUD under the CDBG Act.

"CDBG Program" shall mean the Community Development Block Grant program created under the CDBG Act.

"CDBG Regulations" shall mean 24 C.F.R. Part 570, and such additional regulations, orders, rulings, interpretations and directives for the CDBG Program as may be promulgated or issued by HUD from time to time.

"City" shall mean the City of Chicago, Illinois, an Illinois municipal corporation, and its successors and assigns.

"Code" shall mean the Internal Revenue Code of 1986, and all applicable regulations or rulings thereunder.

"Compliance Period" shall mean the period of fifteen taxable years beginning with the first taxable year of the Credit Period.

"Correction Period" shall have the meaning assigned to such term in Section 6.6 hereof.

"Credit Period" shall mean the 10-year period described in Section 42(f) of the Code.

"Davis-Bacon Act" shall mean 40 U.S.C. Section 276a-5.

"DOH" shall mean the Department of Housing of the City, and any successor to said Department.

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"Extended Use Period" shall mean the "extended use period" (within the meaning of Section 42(h)(6)(D) of the Code) for the Project.

"Extended Use Period Termination Date" shall mean the fifteenth anniversary of the last day of the Compliance Period.

"Family" shall have the meaning assigned to such term in 24 C.F.R. Section 812.2.

"First Reporting Date" shall mean the earlier of (a) October 1 of the first year of the Compliance Period, or (b) the first October 1 following completion of rehabilitation of the Project.

"Foreclosure Date" shall mean the date of a Transfer.

"Gross Rent" shall have the meaning assigned to such term in Section 42(g) of the Code.

"HUD" shall mean the U.S. Department of Housing and Urban Development.

"Imputed Income Limitation" shall have the meaning assigned to such term in Section 42(g) of the Code.

"Increased-Income Unit" shall have the meaning given to such term in Section 2.11(b) hereof.

"Inspection Period" shall mean a period beginning on the date hereof and ending on the Inspection Period Termination Date.

"Inspection Period Termination Date" shall mean the earlier of (a) a Foreclosure Date, provided that such transfer of the Project by foreclosure or an instrument in lieu of foreclosure is not part of an arrangement with the Borrower a purpose of which is to terminate the Extended Use Period; or (b) the later to occur of (i) the third anniversary of the Repayment Date or (ii) the Tax Credit Termination Date, provided that the Tax Credit Termination Date shall also be the Search Period Expiration Date or the Extended Use Period Termination Date.

"Last Reporting Date" shall mean the later of (a) the first October 1 following the end of the Compliance Period, or (b) the first October 1 following the end of the Project Term.

"Loan Agreement" shall mean the Housing Loan Agreement, of even date herewith, between the City and the Borrower with respect to the Loan, as hereafter amended, supplemented and restated from time to time.

"Loan Documents" shall have the meaning given to such term in the Loan Agreement.

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"Low-Income Families" shall mean and include Families whose annual income does not exceed 80% of the Chicago-area median income, adjusted for Family size, as such annual income and Chicago-area median income are determined from time to time by HUD, and after the effective date of any such determination such income limits shall apply to this definition.

"Mortgage" shall mean that certain Junior Mortgage and Security Agreement of even date herewith from the Borrower to the City, as hereafter supplemented, amended and restated from time to time.

"Multi-Family Program" shall mean the Multi-Family Loan Program of DOH.

"Noncompliance Condition" shall have the meaning assigned to such term in Section 6.6 hereof.

"Noncompliance Notice" shall have the meaning assigned to such term in Section 6.6 hereof.

"People" shall have the meaning assigned to such term in Section 2.24 hereof.

"Permitted Tenants" shall have the meaning assigned to such term in Section 6.3 hereof.

"Persons" shall mean natural persons, firms, partnerships, associations, corporations, trusts and public bodies.

"Project Term" shall mean the number of years during which the Project must comply with this Regulatory Agreement. The Project Term shall begin on the date hereof and shall continue, except as provided in Sections 2.10, 2.17, 2.18, 2.19, 5.2, 6.3, 6.6 and 15 hereof, through and including the Termination Date.

"Regulatory Agreement" shall mean this Regulatory Agreement, as supplemented, amended and restated from time to time.

"Repayment Date" shall mean the date as of which the principal of and interest, if any, on the Loan and all other amounts due and payable to the City under the Loan Documents shall have been paid in full (or deemed by the City in its sole discretion to have been paid in full).

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"Request Date" shall mean a date (which shall be after the last day of the fourteenth year of the Compliance Period) on which the Borrower submits a written request to DOH or the City to find a Person to acquire the Borrower's interest in the Tax Credit Eligible Units.

"Search Period" shall mean the one-year period commencing on a Request Date.

"Search Period Expiration Date" shall mean the last day of the Search Period, but only if the City is not able to present during such Search Period a "qualified contract" (within the meaning of Section 42(h)(6)(F) of the Code) for the acquisition of the Tax Credit Eligible Units by any Person who will continue to operate the Tax Credit Eligible Units as a "qualified low-income building" (within the meaning of Section 42(c)(2) of the Code).

"State" shall mean the State of Illinois.

"Tax Credit Eligible Families" shall mean and include individuals, groups of unrelated individuals or families whose adjusted annual income does not exceed the Tax Credit Income Limit.

"Tax Credit Eligible Units" shall mean those units in the Project which will be occupied by or available for occupancy to Tax Credit Eligible Families.

"Tax Credit Termination Date" shall mean the earliest to occur of (a) the Foreclosure Date, (b) the Search Period Expiration Date or (c) the Extended Use Period Termination Date; provided, however, that the "Tax Credit Termination Date" shall not mean the Foreclosure Date if such transfer of the Project by foreclosure or an instrument in lieu of foreclosure is part of an arrangement with the Borrower a purpose of which is to terminate the Extended Use Period.

"Tenant Certification" shall have the meaning assigned to such term in Exhibit C hereto.

"Termination Date" shall mean the earlier of (a) a Foreclosure Date, provided that such transfer of the Project by foreclosure or an instrument in lieu of foreclosure is not part of an arrangement with the Borrower a purpose of which is to terminate the Extended Use Period; or (b) the later to occur of (i) the Repayment Date or (ii) the Tax Credit Termination Date, provided that the Tax Credit Termination Date shall also be the Search Period Expiration Date or the Extended Use Period Termination Date.

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"Three-Year Period" shall mean a period commencing on the Tax Credit Termination Date (but only if the Tax Credit Termination Date shall be the Foreclosure Date or the Search Period Expiration Date) and ending on the third anniversary thereof.

"Transfer" shall mean the transfer of the Project (a) by foreclosure of the Senior Mortgage (or, if the City so elects, of the Mortgage), or (b) by an instrument in lieu of foreclosure of the Senior Mortgage (or, if the City so elects, of the Mortgage).

Capitalized terms used herein and not otherwise defined herein shall have the same meanings given such terms in the Loan Agreement.

SECTION 2 BORROWER'S REPRESENTATIONS, WARRANTIES AND COVENANTS.

The Borrower hereby represents, warrants, covenants and agrees as follows:

2.1 The Project shall be acquired and rehabilitated for the purpose of providing residential rental property, and the Borrower shall own, manage and operate the Project as residential rental units and facilities functionally related and incidental thereto.

2.2 The Project shall consist of residential units, together with facilities functionally related and incidental thereto, and which units are similar in quality and type of construction and amenities.

2.3 Each unit in the Project shall contain separate and complete facilities for living, sleeping, eating, cooking and sanitation (unless the Project qualifies as a single-room occupancy project or transitional housing for the homeless, in which case such unit(s) shall comply with the applicable requirements of Section 42 of the Code).

2.4 None of the units in the Project shall at any time be used on a transient basis, and neither the Project nor any portion thereof shall ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, nursing home, sanitarium, rest home or trailer park or court.

2.5 The units in the Project shall be made available for lease by members of the general public and the Borrower shall not give preference in renting units in the Project to any particular class or group of individuals other than Low-Income Families and Tax Credit Eligible Families as provided herein.

2.6 The Borrower shall not convert any units in the Project to condominium ownership or to any form of cooperative ownership

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that is not eligible to receive CDBG Funds from HUD.

2.7 The Borrower shall not discriminate against prospective tenants on the basis of their receipt of, or eligibility for, housing assistance under any federal, State or local housing assistance program or on the basis that they have a minor child or children who will be residing with them. The Borrower shall not refuse to lease any unit in the Project to a holder of a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937 because of the status of the prospective tenant as such a holder.

2.8 All of the units in the Project shall be, after completion of the rehabilitation of the Project, and shall remain suitable for occupancy.

2.9 (a) After completion of the rehabilitation of the Project and subject to Section 2.11(a) hereof, all of the Tax Credit Eligible Units shall be occupied or available for occupancy by Tax Credit Eligible Families.

(b) After completion of the rehabilitation of the Project, all of the units in the Low-Income Project shall be leased only to tenants who are Low-Income Families at the time of initial occupancy by such Low-Income Families

2.10 (a) After completion of the rehabilitation of the Project and prior to the Tax Credit Termination Date, the Gross Rent charged each month for any Tax Credit Eligible Unit shall not exceed at any time 30% of the Imputed Income Limitation applicable to such Tax Credit Eligible Unit. Following the Tax Credit Termination Date, but only if the Tax Credit Termination Date is a Foreclosure Date or the Search Period Expiration Date, the rent increase restriction contained in Section 42(h)(6)(E)(ii) of the Code shall apply to each Tax Credit Eligible Unit for the Three-Year Period; if such Foreclosure Date or Search Period Expiration Date is the Termination Date, such rent increase restriction shall survive beyond the Termination Date for the duration of the Three-Year Period.

(b) After completion of the rehabilitation of the Project, the rent charged each month for any unit in the Low-Income Project shall not exceed at any time the Affordable Rent for such unit.

(c) Subject to subsection (a) of this Section 2.10, after completion of the rehabilitation of the Project and on or after the Tax Credit Termination Date, the rent charged for any Tax Credit Eligible Unit shall not exceed at any time the Affordable Rent for such unit.

2.11 (a) For purposes of satisfying the requirements set

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forth in Section 2.9(a) above, a Tax Credit Eligible Unit occupied by a Tax Credit Eligible Family whose income has exceeded the applicable Tax Credit Income Limit after initial occupancy of such Tax Credit Eligible Unit by such Tax Credit Eligible Family shall, subject to subsection (b) of this Section 2.11, be deemed to comply with Section 2.9(a) hereof if the rent for such Tax Credit Eligible Unit complies with the requirements of Section 2.10 hereof applicable to Tax Credit Eligible Units.

(b) A Tax Credit Eligible Unit (the "Increased-Income Unit") occupied by a Tax Credit Eligible Family whose income has increased above 140% of the Tax Credit Income Limit shall be deemed to comply with Section 2.9(a) hereof if the rent for the Increased-Income Unit complies with the requirements of Section 2.10 hereof applicable to Tax Credit Eligible Units, but only if the next available unit in the Project of a comparable size with or smaller than the Increased-Income Unit is occupied by a new tenant who is a Tax Credit Eligible Family.

2.12 (a) The Borrower shall include in leases for all units provisions which authorize the Borrower to immediately terminate the tenancy of any tenant who misrepresented any fact material to the tenant's qualification as a Low-Income Family.

(b) The Borrower shall not evict or terminate the tenancy of any tenant of a Tax Credit Eligible Unit other than for good cause.

2.13 All tenant lists, applications, and waiting lists relating to the Project shall at all times be kept separate and identifiable from any other business of the Borrower which is unrelated to the Project, shall be maintained, as required by the City, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the City. If the Borrower employs a management agent for the Project, the Borrower shall require such agent to comply with the requirements of this Regulatory Agreement and shall include such requirements in any and all management agreements or contracts entered into with respect to the Project.

2.14 All tenant leases shall be written, shall be in conformity with all applicable laws, including without limitation the City of Chicago Residential Landlord and Tenant Ordinance, and, with respect to Tax Credit Eligible Units and units in the Low-Income Project, shall contain clauses, inter alia, wherein each individual lessee: (i) certifies the accuracy of the statements made in the Tenant Certification and (ii) agrees that the Family income and other eligibility requirements shall be deemed substantial and material obligations of his/her tenancy, that he/she will comply with all requests for information with respect thereto from the Borrower, the City or HUD, and that the failure to provide accurate information in the Tenant

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Certification or refusal to comply with a request for information with respect thereto shall be deemed a substantial violation of an obligation of his/her tenancy.

2.15 All tenant leases shall be for a period of not less than six months; provided, however, that notwithstanding the foregoing, each tenant lease for a Tax Credit Eligible Unit constituting a "single-room occupancy unit" within the meaning of Section 42(i)(3)(B)(iv) of the Code shall be for a period of not less than one month.

2.16 The Borrower shall permit and shall cause any management agent for the Project to permit, during normal business hours and upon reasonable notice, any duly authorized representative of the City or HUD to inspect any books and records of the Borrower or such agent regarding the Project with respect to the incomes of Low-Income Families residing as tenants in the Low-Income Project or which pertain to compliance with the provisions of this Regulatory Agreement, the CDBG Act or the CDBG Regulations. The Borrower shall permit, and shall cause any management agent for the Project to permit, the City, HUD and/or their agents to inspect the Project at all reasonable times and access thereto shall be permitted for that purpose.

2.17 The Borrower shall obtain and keep the records required under the Plan and 26 C.F.R. Section 1.42-5(b) for the periods described therein. This covenant shall survive beyond the Termination Date (if such date is not also a Foreclosure Date), but shall terminate as of a Foreclosure Date.

2.18 The Borrower shall obtain and maintain on file during the Project Term a sworn and notarized Tenant Certification with respect to each and every individual, group of unrelated individuals or Family who is a tenant in the Low-Income Project, signed by the tenant or tenants (i.e., the individual or individuals whose name or names appear on the lease) and obtained by the Borrower (a) prior to such tenant or tenants occupying the unit or signing a lease with respect thereto, and (b) thereafter at least annually so long as such individual, individuals or Family remain as tenants in the Low-Income Project. Each Tenant Certification shall be kept on file with the Borrower until three years after the end of the Project Term; this covenant shall survive beyond the Termination Date (if such date is not also a Foreclosure Date), but shall terminate as of a Foreclosure Date. The Borrower shall assist each of the tenants in the Low-Income Project in completing the Tenant Certification by referring to the instructions on Schedule IV to Exhibit C hereto.

2.19 The Borrower agrees that it will take any and all actions required by the City to substantiate the Borrower's compliance with the restrictions set forth herein, including, but not limited to, submitting to the City an Annual Report executed

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by the Borrower, commencing on the First Reporting Date and on each October 1 thereafter through and including the Last Reporting Date. This covenant shall survive beyond the Termination Date (if such date is not also a Foreclosure Date), but shall terminate as of a Foreclosure Date.

2.20 The Borrower shall provide to the City a tenant profile (in the form provided to the Borrower by DOH) for each Low-Income Family for each unit in the Low-Income Project and for each Tax Credit Eligible Unit within 30 days after such unit is leased to such tenant(s) (or, for units occupied by Low-Income Families or Tax Credit Eligible Families as of the date hereof, within 30 days from the date hereof). For each unit in the Low-Income Project, promptly after the first leasing of such unit after the completion of rehabilitation of the Project, the Borrower shall provide the City, unless prohibited by law, with data on the racial, ethnic, gender and income-level characteristics of (a) the tenants, if any, occupying such unit before rehabilitation, (b) the tenants moving into such unit initially after completion of rehabilitation of the Project, and (c) the applicants for tenancy of such unit within 90 days following completion of rehabilitation of the Project. For each subsequent leasing of the unit, the Borrower shall provide the City, unless prohibited by law, with data on the racial, ethnic, gender and income-level characteristics (including gender identification of the head(s) of household) of each tenant moving into the unit.

2.21 The Borrower shall notify the City of the occurrence of any event of which the Borrower has notice and which event would violate any of the provisions of this Regulatory Agreement.

2.22 No Person in the United States shall on the grounds of race, color, national origin, religion or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination in connection with the Project. The Borrower shall cause the Project to comply at all times with the Chicago Fair Housing Ordinance, Section 5-8-010 et seq. of the Municipal Code of Chicago.

2.23 During the Project Term, the Project shall comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. Section 1701u) and the regulations in 24 C.F.R. Part 135.

2.24 The Borrower shall take all reasonable steps to minimize the displacement of Families, individuals, businesses, not-for-profit organizations and farms (herein for the purposes of this paragraph collectively called "People") as a result of the Project. If displacement of People does occur as a result of the Project, the Borrower shall comply with the requirements of 24 C.F.R. Section 570.606, with respect to, among other things,

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temporary and permanent relocation of displaced People. The Borrower shall provide or cause all "displaced persons" (as defined in 24 C.F.R. Section 570.606) to be provided with relocation assistance as required under said Section 570.606.

2.25 The acquisition of the real property on which the Project is located is subject to the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. Section 4601 et seq., and the requirements of 49 C.F.R. Part 24, Subpart B.

2.26 The Project shall constitute HUD-associated housing for purposes of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. Section 4821 et seq.), and comply with the requirements thereof and of 24 C.F.R. Section 570.608, including without limitation the requirements of notice to tenants, prohibition of the use of lead-based paint and for the elimination of the hazards of lead-based paint. Any lead-based paint and defective paint debris shall be disposed of in accordance with applicable federal, State or local requirements.

2.27 The Borrower shall obtain and maintain flood insurance for the Entire Project if the Entire Project is located in an area which is identified by the Federal Emergency Management Agency as having special flood hazards.

2.28 The Borrower is not a primarily religious entity and the Entire Project will be used solely for secular purposes.

2.29 No individual who is an employee, agent, consultant, officer or elected or appointed official of the City (and no individual who was an employee, agent, consultant, officer or elected or appointed official within one year prior to the date hereof) and who exercises or has exercised any functions or responsibilities with respect to activities assisted with CDBG Funds or who is or was in a position to participate in a decision-making process or gain inside information with regard to such activities, has obtained, is obtaining or will obtain a financial interest or benefit from the Entire Project, or has or will have any interest in any contract, subcontract or agreement with respect to the Entire Project, or the proceeds thereunder, either for himself or for those with whom he has family or business ties.

2.30 The Borrower agrees that it will pay any reasonable fee which the City may hereafter assess in its sole discretion to underwrite the costs of monitoring activities performed by the City in connection with the Tax Credits allocated for the Project.

2.31 The Project shall constitute, during each year of the Extended Use Period, a "qualified low-income housing project" as defined in Section 42 of the Code, commencing with the first year of the Compliance Period and continuing until the end of the

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Extended Use Period.

2.32 The Borrower has not executed and shall not execute any other agreement with provisions contradictory to, or in opposition to, the provisions hereof, and in any event, the requirements of this Regulatory Agreement are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith.

2.33 Except as otherwise disclosed to the City in writing, all of the statements, representations and warranties of the Borrower contained in (i) the Borrower's application for Tax Credit, (ii) the Borrower's application for the Loan, and (iii) any other document submitted by the Borrower to the City in connection with the Entire Project remain true and in effect as of the date hereof.

2.34 For every unit in the Low-Income Project, the Borrower shall comply with affirmative marketing requirements established by DOH from time to time, including the following:

- (a) based on the Affirmative Marketing Plan, advertise in pre-identified commercial media, contact pre-identified churches, community groups and other agencies, and undertake other means to inform targeted groups of the availability of such units in the Low-Income Project;
- (b) display conspicuously HUD's fair housing poster wherever rentals and showings of such units take place;
- (c) provide DOH upon request with an annual report describing the Borrower's affirmative marketing activities with respect to the Low-Income Project, including a description of the Borrower's outreach efforts (including copies of all advertisements and brochures) and, unless prohibited by law, a record of the racial/ethnic/gender characteristics of all individuals who look at units in the Low-Income Project, those who apply for leases for such units, and those who actually sign such leases; and
- (d) maintain records of affirmative marketing efforts with respect to the leasing or re-leasing of each such unit to be made available for review by DOH for a period equal to the Project Term.

2.35 The Borrower has submitted to the City a tenant selection plan containing policies and criteria that: (a) are consistent with the purpose of providing housing for Low-Income

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Families, (b) are reasonably related to Multi-Family Program eligibility and the applicants' ability to perform the obligations of the lease, (c) give reasonable consideration to the housing needs of Families that would have a preference under 24 C.F.R. Section 960.211, and (d) provide for (1) the selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable, and (2) the prompt notification in writing to any rejected applicant of the grounds for any rejection.

2.36 Additional representations and covenants of the Borrower contained on Exhibit B hereto are hereby incorporated herein by reference.

SECTION 3 RELIANCE.

The City and the Borrower hereby recognize and agree that the representations and covenants set forth herein made by the City and the Borrower, respectively, may be relied upon by the Borrower and the City, respectively. In performing its duties and obligations hereunder, the City may rely upon statements and certificates of the Borrower, Tax Credit Eligible Families and Low-Income Families and upon audits of the books and records of the Borrower pertaining to occupancy of the Project. In addition, the City may consult with counsel and the opinion of such counsel shall be evidence that such action or failure to act by the City was in good faith and in conformity with such opinion. The City and the Borrower agree that it is the Borrower's responsibility to determine that (i) each potential tenant in the Low-Income Project qualifies as a Low-Income Family, and (ii) that each potential tenant for a Tax Credit Eligible Unit qualifies as a Tax Credit Eligible Family, and that in making each such determination, the Borrower shall exercise due diligence.

SECTION 4 SALE OR TRANSFER OF THE PROJECT.

The Borrower hereby covenants and agrees not to sell, transfer or otherwise dispose of the Entire Project, or any portion thereof (including without limitation, a transfer by assignment of any beneficial interest under a land trust), or to violate any provision of the Mortgage relating to prohibitions on sales or transfers of the Entire Project or any interest therein (whether or not the Mortgage remains of record), at any time during the Project Term, except as expressly permitted by the City; provided, however, that after payment in full of the Loan and all other amounts due and payable to the City under the Loan Documents, such permission by the City shall not be unreasonably withheld. The Borrower hereby agrees and covenants that no portion of any building to which this Regulatory Agreement applies shall be transferred to any Person unless all of such building is transferred to such Person. It is hereby expressly

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stipulated and agreed that any sale, transfer or other disposition of the Entire Project in violation of this Section 4 shall be null, void and without effect, shall cause a reversion of title to the Borrower or any successor or assignee of the Borrower last permitted by the City, and shall be ineffective to relieve the Borrower or such successor or assignee, as applicable, of its obligations hereunder.

SECTION 5 TERM.

5.1 This Regulatory Agreement shall become effective upon its execution and delivery. Subject to Sections 2.10, 2.17, 2.18, 2.19, 5.2, 6.3, 6.6 and 15 hereof, this Regulatory Agreement shall remain in full force and effect for a term equal to the Project Term, it being expressly agreed and understood that the provisions hereof are intended to survive throughout the Project Term.

5.2 If the Project Term shall end on a Termination Date which is also a Foreclosure Date or the Search Period Expiration Date, the occurrence of such Termination Date shall not be construed to permit, during the Three-Year Period, either (i) the eviction or termination of the tenancy (other than for good cause) of an existing tenant of any Tax Credit Eligible Unit, or (ii) any increase in the Gross Rent with respect to any Tax Credit Eligible Unit not otherwise permitted under Section 42 of the Code.

SECTION 6 ENFORCEMENT.

6.1 Subject to Section 6.6 hereof, if a violation of any of the foregoing representations or covenants occurs or is attempted, and such occurrence or attempt is uncorrected for a period of 30 days after notice thereof from the City to the Borrower (provided, however, that if any such occurrence or attempt cannot reasonably be cured within said 30-day period and if the Borrower shall have commenced to cure such occurrence or attempt within said 30-day period and shall thereafter continue diligently to effect such cure, then said 30-day period shall be extended to 60 days upon written request from the Borrower to the City delivered during such 30-day period, and upon further written request from the Borrower to the City delivered during such 60-day period, said 60-day period shall be extended to 90 days; provided further, however, that the City shall not be precluded during any such periods from exercising any remedies hereunder if the City shall receive a request or notice from HUD or the Internal Revenue Service to do so or if the City shall determine that the continuation of such uncorrected occurrence or attempt shall result in any liability by the City to HUD or the Internal Revenue Service), the City and its successors and assigns, without regard to whether the City or its successors and assigns is an owner of any land or interest therein to which

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these covenants relate, may institute and prosecute any proceeding at law or in equity to abate, prevent or enjoin any such violation or attempted violation or to compel specific performance by the Borrower of its obligations hereunder, or may declare an event of default under the Loan Documents and exercise its rights thereunder, including without limitation foreclosure under the Mortgage. No delay in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the right of any party entitled to enforce the provisions hereof or to obtain relief against or recovery for the continuation or repetition of such breach or violations or any similar breach or violation hereof at any later time.

6.2 All fees, costs and expenses of the City incurred in taking any action pursuant to this Section 6 shall be the sole responsibility of the Borrower.

6.3 The Borrower and the City each acknowledge that a primary purpose of requiring the Borrower to comply with the restrictions provided in this Regulatory Agreement is to assure compliance of the Project and the Borrower with Section 42 of the Code and for that reason the Borrower, in consideration of receiving Tax Credits for the Project, agrees and consents that the City and any Permitted Tenant shall be entitled, for any breach of the provisions hereof, and in addition to all other remedies provided by law or in equity, to enforce specific performance by the Borrower of its obligations under this Regulatory Agreement in a court of competent jurisdiction. To the extent permitted by law, all individuals who are or may qualify as Tax Credit Eligible Families with respect to the Project (whether as prospective, present or former tenants of the Project) (the "Permitted Tenants") shall have the right to enforce in any court of the State the requirement of Section 2(d) of Exhibit B hereto and the terms of Section 5.2 hereof.

6.4 The Borrower further specifically acknowledges that the beneficiaries of the Borrower's obligations hereunder cannot be adequately compensated by monetary damages in the event of any breach or violation of any of the foregoing representations or covenants.

6.5 Upon any failure of the Borrower to comply fully with the Code, the covenants and agreements contained herein or with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury, the Internal Revenue Service or the City from time to time pertaining to the obligations of the Borrower as set forth therein or herein, and upon compliance by the City with the procedures described in Section 6.6 hereof, the City may, in addition to all of the remedies provided by law or in equity, request the Internal Revenue Service to decertify the Project for Tax Credit dollars

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and to immediately commence recapture of the Tax Credit dollars heretofore allocated to the Project.

6.6 The City shall provide prompt written notice (a "Noncompliance Notice") to the Borrower if the City (a) does not receive from the Borrower an Annual Report when due, (b) is not permitted to inspect, as provided in Section 15 hereof, the records maintained by the Borrower pursuant to Section 2.17 hereof, or (c) discovers by inspection, review or in some other manner that the Project is not in compliance with the provisions of Section 42 of the Code. The Noncompliance Notice shall specify a period (the "Correction Period") during which the Borrower is required to correct the condition (the "Noncompliance Condition") causing the production of the Noncompliance Notice. After the end of the Correction Period (and within 45 days of the end of such period), the City shall file with the Internal Revenue Service Form 8823 describing the Noncompliance Condition, whether or not the Noncompliance Condition shall have been corrected during the Correction Period. Notwithstanding any other provision herein to the contrary, this Section 6.6 shall survive beyond the Termination Date, if the Termination Date (a) is not also a Foreclosure Date, and (b) shall occur prior to October 1 of the second calendar year following the end of the Compliance Period; notwithstanding the foregoing part of this sentence, this Section 6.6 shall terminate as of a Foreclosure Date.

SECTION 7 RECORDING AND FILING.

The Borrower shall cause this Regulatory Agreement and all amendments and supplements hereto to be recorded and filed in the conveyance and real property records of the county in which the Project is located and in such other places as the City may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording. Upon recording, the Borrower shall immediately transmit to the City an executed original of this Regulatory Agreement showing the date and recording number of record. The Borrower agrees that the City may withhold the Internal Revenue Service Form 8609 with respect to the Project unless and until the City has received a recorded executed original of this Regulatory Agreement.

SECTION 8 COVENANTS TO RUN WITH THE LAND.

The Borrower hereby subjects the Entire Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The City and the Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall, throughout the Project Term, be deemed covenants, reservations and restrictions running with the land to the extent permitted by law, and shall pass to and be binding upon the Borrower's successors in title to the Entire

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Project throughout the Project Term. The Borrower hereby covenants to include the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Entire Project to another Person in order that such transferee has notice of, and is bound by, such restrictions, and to obtain from any transferee the agreement to be bound by and comply with the requirements set forth in this Regulatory Agreement; provided, however, that each and every contract, deed, mortgage or other instrument hereafter executed covering or conveying the Entire Project or any portion thereof or interest therein (including, without limitation, any transfer of a beneficial interest in a land trust or a portion thereof) shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instrument. In the event that such covenants, reservations and restrictions terminate pursuant to the provisions of Section 5 hereof, the City, upon such termination and upon a written request from the Borrower, shall record a release of this Regulatory Agreement at the expense of the Borrower.

SECTION 9 GOVERNING LAW.

This Regulatory Agreement shall be construed in accordance with and governed by the internal laws of the State without regard to its conflict of laws principles, and, where applicable, the laws of the United States of America. In the event of any conflict between this Regulatory Agreement and the CDBG Act, the CDBG Regulations or Section 42 of the Code, the CDBG Act, the CDBG Regulations or Section 42 of the Code, as applicable, shall control.

SECTION 10 AMENDMENTS.

This Regulatory Agreement may be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the county in which the Project is located. The Borrower hereby expressly agrees to enter into all amendments hereto which, in the opinion of the City, are reasonably necessary for maintaining compliance under the CDBG Act, the CDBG Regulations and Section 42 of the Code.

SECTION 11 NOTICE.

Unless otherwise specified, any notice, demand or request required hereunder shall be given in writing at the addresses set forth below, by any of the following means: (a) personal service; (b) electronic communications, whether by telex, telegram or telecopy; (c) overnight courier, receipt requested; or (d) registered or certified mail, return receipt requested.

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IF TO CITY:

City of Chicago, Illinois
c/o Department of Housing
318 South Michigan Avenue
Chicago, Illinois 60604
Attention: Commissioner

WITH COPIES TO:

Department of Finance
City of Chicago
121 North LaSalle Street, Room 501
Chicago, Illinois 60602
Attention: Comptroller

and

Office of the Corporation Counsel
City Hall, Room 511
121 North LaSalle Street
Chicago, Illinois 60602
Attention: Finance and Economic
Development Division

IF TO BORROWER:

As specified on Exhibit B hereto.

Such addresses may be changed by notice to the other parties given in the same manner provided above. Any notice, demand or request sent pursuant to either clause (a) or (b) above shall be deemed received upon such personal service or upon dispatch by electronic means with confirmation of receipt. Any notice, demand or request sent pursuant to clause (c) above shall be deemed received on the Business Day immediately following deposit with the overnight courier, and any notice, demand or request sent pursuant to clause (d) above shall be deemed received two Business Days following deposit in the mail.

SECTION 12 SEVERABILITY.

If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

SECTION 13 COUNTERPARTS.

This Regulatory Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which, taken together, shall constitute one and the same Regulatory Agreement.

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SECTION 14 EFFECTIVE DATE.

For purposes of Section 42 of the Code, this Regulatory Agreement shall be deemed to be in effect as of the date first set forth above.

SECTION 15 RIGHT TO INSPECT.

The Borrower agrees that the City shall have the right to perform an on-site inspection of the Entire Project and to review the records maintained by the Borrower or its agent as described in Section 2.17 hereof, upon 30 days' prior notice by the City to the Borrower, at least annually during each year of the Inspection Period. Notwithstanding the foregoing sentence, this Section 15 shall terminate as of the Foreclosure Date.

SECTION 16 NO THIRD PARTY BENEFITS.

Subject to Section 6.3 hereof, this Regulatory Agreement is made for the sole benefit of the City and the Borrower and their respective successors and assigns and, except as provided in Section 6.3 hereof or otherwise expressly provided herein, no other party shall have any legal interest of any kind hereunder or by reason of this Regulatory Agreement. Whether or not the City elects to employ any or all of the rights, powers or remedies available to it hereunder, the City shall have no obligation or liability of any kind to any third party by reason of this Regulatory Agreement or any of the City's actions or omissions pursuant hereto or otherwise in connection herewith.

SECTION 17 REFERENCES TO STATUTES, ETC

All references herein to statutes, regulations, rules, executive orders, ordinances, resolutions, rulings, notices or circulars issued by any governmental body shall be deemed to include any and all amendments, supplements and restatements from time to time to or of such statutes, regulations, rules, executive orders, ordinances, resolutions, rulings, notices and circulars.

SECTION 18 TRUSTEE EXCULPATION.

This Regulatory Agreement is executed by the Trustee, not personally but solely as Trustee as aforesaid in the exercise of the power and authority conferred upon and vested in it as such Trustee, and said Trustee hereby warrants that it possesses full power and authority to execute this instrument, and it is expressly understood and agreed that nothing herein shall be construed as creating any liability on the Trustee personally to perform any covenant either express or implied herein. No personal liability shall be asserted or enforceable against the Trustee by reason of any of the covenants, statement, representations or warranties contained in this instrument.

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IN WITNESS WHEREOF, the City and the Borrower have executed this Regulatory Agreement by their duly authorized representatives, all as of the date first written hereinabove.

CITY OF CHICAGO, ILLINOIS, by and through its Department of Housing

By: _____

Name: _____

Title: _____

AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, as Trustee under Trust Agreement dated April 21, 1992 and known as Trust No. 115421-07, and not personally

By: _____

Name: J. M. Whelan

Title: VP

ATTEST:

By: _____

Name: P. JOHANSEN

Title: ASST SECY

AUSTIN SQUARE LIMITED PARTNERSHIP, an Illinois limited partnership

By: City Lands Corporation, a Delaware corporation and its sole general partner

By: Linda Brace

Name: Linda Brace

Title: Assistant Vice President

ATTEST:

By: Ronald J. Wilson

Name: Ronald J. Wilson
Assistant Secretary

Title: _____

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IN WITNESS WHEREOF, the City and the Borrower have executed this Regulatory Agreement by their duly authorized representatives, all as of the date first written hereinabove.

CITY OF CHICAGO, ILLINOIS, by and through its Department of Housing

By: _____

Name: _____

Title: Commissioner of Department of Housing

AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, as Trustee under Trust Agreement dated April 21, 1992 and known as Trust No. 115421-07, and not personally

By: _____

Name: _____

Title: _____

ATTEST:

By: _____

Name: _____

Title: _____

AUSTIN SQUARE LIMITED PARTNERSHIP, an Illinois limited partnership

By: City Lands Corporation, a Delaware corporation and its sole general partner

By: _____

Name: _____

Title: _____

ATTEST:

By: _____

Name: _____

Title: _____

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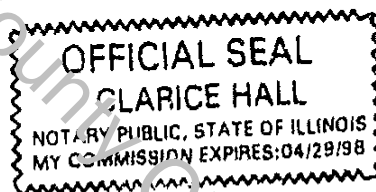
STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

I, the undersigned, a notary public in and for the County and State aforesaid, DO HEREBY CERTIFY THAT MARINA CARROLL, personally known to me to be the _____ Commissioner of the Department of Housing of the City of Chicago, Illinois (the "City") and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such _____ Commissioner, (s)he signed and delivered the said instrument pursuant to authority, as his/her free and voluntary act, and as the free and voluntary act and deed of said City, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 18th day of December, 1994.

Clarice Hall
Notary Public

(SEAL)



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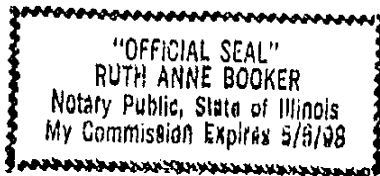
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STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

I, the undersigned, a Notary Public in and for the county and State, aforesaid, do hereby certify that J. Michael Whelan and P. JOHANSEN, personally known to me to be the VICE PRESIDENT and ASSISTANT SECRETARY of American National Bank and Trust Company of Chicago, a national banking association (the "Trustee"), and personally known to me to be the same persons whose names are subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that as such VICE PRESIDENT and ASSISTANT SECRETARY they signed and delivered the said instrument, pursuant to authority given by the Board of Directors of the Trustee as their free and voluntary act, and as the free and voluntary act and deed of the Trustee for the uses and purposes therein set forth.

GIVEN, under my hand and official seal this DEC 12 1994
day of _____, 1994.



Ruth Anne Booker
Notary Public

(SEAL)

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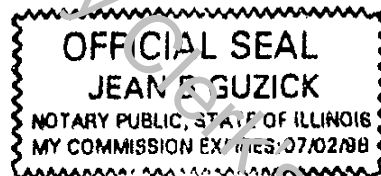
STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

I, the undersigned, a Notary Public in and for the county and State aforesaid, do hereby certify that Linda Braca and RONALD J. WILSON, personally known to me to be the Assistant Vice President and Assistant Secretary, respectively, of City Lands Corporation (the "General Partner"), a Delaware corporation and sole general partner of Austin Square Limited Partnership (the "Beneficiary"), an Illinois limited partnership, and known to me to be the same persons whose names are subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that as such Assistant Vice President and Assistant Secretary, they signed and delivered the said instrument pursuant to authority given by the Board of Directors of the General Partner, and as their respective free and voluntary acts and deeds and as the free and voluntary act and deed of the General Partner as general partner of the Beneficiary for the uses and purposes therein set forth.

GIVEN under my hand and official seal this 13th day of December, 1994

Jean B. Guzik
Notary Public

(SEAL)



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EXHIBIT A

1. Legal Description: See Exhibit AA
2. Address Commonly Known As: 5000-20 West Madison Street, 5036-38 West Quincy Street, 4701-09 West Maypole Avenue/220 North Kilpatrick Avenue, 4653-59 West Jackson Boulevard/305-09 South Kilpatrick Avenue, 538-42 North Pine Avenue, 327 North Pine Avenue and 4814-20 West Monroe Street.
3. Permanent Index Number:

4653-59 W. Jackson/305-09 S. Kilpatrick	16-15-113-001
5000-20 W. Madison	16-09-426-028
4814-20 W. Monroe	16-16-202-047
327 N. Pine	16-09-301-007
538 N. Pine	16-09-114-022
542 N. Pine	16-09-114-021
5036-38 W. Quincy	16-16-207-022
4701-09 W. Maypole/220 N. Kilpatrick	16-10-318-014

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EXHIBIT AA

***PARCEL 1: 327 N. Pine Ave., Chicago, Illinois

LOTS 10 AND 11 IN CRAFT'S SUBDIVISION OF THE NORTH 380.75 FEET OF THE WEST HALF OF BLOCK 2nd FRINK'S RESUBDIVISION OF THE NORTH 36 1/4 ACRES OF THE EAST HALF OF THE SOUTHEAST QUARTER OF SECTION 8 AND THE NORTH 36 1/4 ACRES OF THE WEST HALF OF THE SOUTHWEST QUARTER OF SECTION 9, TOWNSHIP 39 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS;

PARCEL 2: 542 N. Pine Ave., Chicago, Illinois

THE NORTH 19 FEET OF LOT 3 IN BLOCK 2 IN MERRICK'S SUBDIVISION OF THE WEST HALF OF THE NORTHWEST QUARTER OF SECTION 9, TOWNSHIP 39 NORTH, RANGE 13, COMPRISING THE EAST PART OF AUSTINVILLE, BEING AUSTIN & MERRICK'S SUBDIVISION OF THE EAST HALF OF THE NORTHEAST QUARTER OF SECTION 8 AND THE WEST HALF OF THE NORTHWEST QUARTER OF SECTION 9, TOWNSHIP 39 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS;

PARCEL 3: 538 N. Pine Ave., Chicago, Illinois

LOT 3 (EXCEPT THE NORTH 49 FEET THEREOF AND EXCEPT THE SOUTH 11 FEET) IN BLOCK 2 IN MERRICK'S SUBDIVISION OF THE WEST HALF OF THE NORTHWEST QUARTER OF SECTION 9, TOWNSHIP 39 NORTH, RANGE 13, COMPRISING THE EAST PART OF AUSTINVILLE, BEING AUSTIN & MERRICK'S SUBDIVISION OF THE EAST HALF OF THE NORTHEAST QUARTER OF SECTION 8 AND THE WEST HALF OF THE NORTHWEST QUARTER OF SECTION 9, TOWNSHIP 39 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS;

PARCEL 4: 5036-38 Quincy, Chicago, Illinois

THE WEST 50 FEET OF THE EAST 395 FEET (EXCEPT THE NORTH 8 FEET AND EXCEPT THE STREET) OF LOT 38 IN SCHOOL TRUSTEES' SUBDIVISION OF THE NORTH PART OF SECTION 16, TOWNSHIP 39 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS;

PARCEL 5: 220 N. Kilpatrick Ave. and 4701-4709 W. Maypole Ave., Chicago, Illinois

LOTS 1 THROUGH 4 IN BLOCK 24 IN WEST CHICAGO LAND COMPANY'S SUBDIVISION OF THE SOUTH HALF OF SECTION 10, TOWNSHIP 39 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS;

PARCEL 6: 5000--5020 W. Madison Street, Chicago, Illinois

LOTS 30 THROUGH 37, INCLUSIVE, IN BLOCK 9 OF DERBY'S ADDITION TO CHICAGO, A SUBDIVISION OF PART OF THE WEST HALF OF THE WEST HALF OF THE SOUTHEAST QUARTER OF SECTION 9, TOWNSHIP 39 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS;

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PARCEL 7: 305-09 S. Kilpatrick Ave., and 4653-59 W. Jackson Boulevard

LOTS 1, 2 AND 3 IN BLOCK 1 IN HARVEY'S SUBDIVISION OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF SECTION 15, TOWNSHIP 39 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS;

PARCEL 8: 4814-20 W. Monroe Street, Chicago, Illinois

LOTS 6, 7, 8 AND 9 IN BLOCK 1 IN D.G. DAVIS' SUBDIVISION OF LOTS 2 AND 3 IN SCHOOL TRUSTEES' SUBDIVISION OF THE NORTH PART OF SECTION 16, TOWNSHIP 39 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN IN COOK COUNTY, ILLINOIS.***

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EXHIBIT B

I. ADDITIONAL DEFINITIONS

"Beneficiary" shall mean Austin Square Limited Partnership, an Illinois limited partnership.

"Commercial Space" shall mean that portion of the property commonly known as 5000-20 West Madison Street, Chicago, Illinois, that is intended to be used for commercial purposes, as indicated on the Plans and Specifications (as defined in the Loan Agreement).

"Entire Project" shall mean the Project and the Commercial Space.

"Loan" shall mean a loan by the City to the Borrower in the principal amount of \$6,288,522 for financing a portion of the costs of rehabilitation of the Project.

"Low-Income Project" shall mean the 166 units in the Project financed with CDBG Funds and required to be occupied by Low-Income Families.

"Plan" shall mean the Housing Tax Credit Plan of the City for the year 1993 pursuant to which Tax Credits were allocated to the Project.

"Project" shall mean the seven buildings and a vacant lot located at 5000-20 West Madison Street, 5036-38 West Quincy Street, 4701-09 West Maypole Avenue/220 North Kilpatrick Avenue, 4653-59 West Jackson Boulevard/305-09 South Kilpatrick Avenue, 538-42 North Pine Avenue, 327 North Pine Avenue and 4814-20 West Monroe Street, Chicago, Illinois, and which shall contain, as of the completion of rehabilitation thereof, 166 multi-family residential dwelling units. The term "Project" does not include the Commercial Space.

"Senior Lender" shall mean Community Investment Corporation, located at 222 South Riverside Plaza, Suite 2200, Chicago, Illinois 60606, and its successors and assigns.

"Senior Loan" shall mean a loan by the Senior Lender to the Borrower in the principal amount of \$1,700,000 for financing a portion of the costs of rehabilitation of the Project.

"Senior Mortgage" shall mean that certain Construction Loan Mortgage and Security Agreement with Collateral Assignment of Leases and Rents dated as of November 1, 1994 granted by the Borrower to the Senior Lender and securing repayment of the Senior Loan.

"Tax Credit Income Limit" shall mean 60% of the Chicago-area median income, adjusted for Family size, as such adjusted income

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and Chicago-area median income are determined from time to time by HUD, and after the effective date of any such determination such income limits shall apply to this definition.

"Trust" shall mean that certain trust created under Trust Agreement dated April 21, 1992 and known as Trust No. 115421-07, with American National Bank and Trust Company of Chicago, as Trustee.

II. ADDITIONAL REPRESENTATIONS AND COVENANTS OF BORROWER.

1. At least 166 of the units in the Project shall be Tax Credit Eligible Units.

2. (a) The Project shall consist of the following unit configuration:

<u>Number of Bedrooms</u>	<u>Number of Units</u>
Studio	44
One Bedroom	19
Two Bedroom	57
Three Bedroom	46

(b) The Low-Income Project shall consist initially of the following unit configuration for Low-Income Families:

<u>Number of Bedrooms</u>	<u>Number of Units</u>
Studio	44
One Bedroom	19
Two Bedroom	57
Three Bedroom	46

(c) The Tax Credit Eligible Units in the Project shall consist initially of the following:

<u>Number of Bedrooms</u>	<u>Number of Units</u>
Studio	44
One Bedroom	19
Two Bedroom	57
Three Bedroom	46

(d) The Applicable Fraction for each building in the Project shall be, for each taxable year in the Extended Use Period, not less than the following amount:

<u>Building Address</u>	<u>Applicable Fraction</u>
5000-20 W. Madison (excluding Commercial Space)	100%
5036-38 W. Quincy	100%
4701-09 W. Maypole/220 N. Kilpatrick	100%

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4653-59 W. Jackson/305-09 S. Kilpatrick	100%
542 N. Pine	100%
327 N. Pine	100%
4814-20 W. Monroe	100%

3. Every contract for the rehabilitation of the Project shall contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the United States Secretary of Labor pursuant to the Davis-Bacon Act, to all laborers and mechanics employed in the rehabilitation of the Project. All such contracts shall also be subject to the Contract Work Hours and Safety Standards Act, 40 U.S.C. Section 327 et seq., the regulations promulgated in connection therewith and with the Davis-Bacon Act, and other federal laws and regulations pertaining to labor standards and HUD Handbook 1344.1 (Federal Labor Standards Compliance in Housing and Community Development Programs), as applicable. Notwithstanding the foregoing, the requirement of this Section with respect to the payment of prevailing wages shall not apply to volunteers in accordance with 24 C.F.R. Part 70.

4. For purposes of Section 11, the Borrower's address shall be:

Austin Square Limited Partnership
c/o City Lands Corporation
5100 West Harrison Street
Chicago, Illinois 60644

WITH COPIES TO:

Jay Gilbert, Esq.
479 North Main Street
Suite 200
Glen Ellyn, Illinois 60137

and to:

Chicago Equity Fund, Inc.
One East Superior Street
Suite 604
Chicago, Illinois 60611
Attention: President

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EXHIBIT C

ANNUAL REPORT FOR PROJECT RECEIVING CDBG FUNDS AND LOW-INCOME HOUSING TAX CREDITS FROM THE CITY OF CHICAGO, DEPARTMENT OF HOUSING

Borrower: Austin Square Limited Partnership

Project Name: _____

Project Number: _____

Borrower Federal Employer Identification Number: _____

The City of Chicago, Illinois, acting by and through its Department of Housing (the "City"), has entered into a Housing Loan Agreement dated _____ with the Borrower and American National Bank and Trust Company, not personally but solely as trustee under Trust Agreement dated April 21, 1992 and known as Trust No. 115421-07 (the "Trustee"), pursuant to which the City has loaned CDBG funds to the Borrower for the Project. The City has also allocated low-income housing tax credits (the "Tax Credits") to the Borrower for the Project. Pursuant to Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"), the Borrower is required to maintain certain records concerning the Project and the City is required to monitor the Project's compliance with the CDBG regulations and the Code and the agreements executed by the City and the Borrower in connection with the Project. The Borrower further agreed, in the Regulatory Agreement dated as of _____, between the City, the Borrower and the Trustee (the "Regulatory Agreement"), to maintain certain records and prepare and deliver certain reports to the City. This Annual Report must be completed in its entirety and must be executed by the Borrower, notarized and returned to the City by October 1 of each year for the period commencing on the earlier of (a) October 1 of the first year of the Compliance Period, or (b) the first October 1 following completion of rehabilitation of the Project, and ending on the later of (1) the first October 1 following the end of the Compliance Period, or (2) the first October 1 following the Termination Date. In addition, a copy of Schedule I must be completed for each building which comprises a part of the Project. No changes may be made to the language contained herein without the prior approval of the City. Except as otherwise specifically indicated, capitalized terms contained herein shall have the meanings ascribed to them in the Regulatory Agreement.

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A. INFORMATION

1. Please list the building identification numbers and address for each building included in the Project: (If there are additional buildings in the Project, please provide the requested information on a separate sheet and attach to this document.)

Building Identification Number

Building Address

2. Complete Schedule I for each building included in the Project.
3. Has any change occurred, either directly or indirectly, (a) in the identity of the Borrower, (b) in the identity of any general partner(s), if any, of the Borrower, (c) in the ownership of any interests in any general partner of the Borrower or in any shareholder, trustee or beneficiary of the Borrower, or (d) which would otherwise cause a change in the identity of the individuals who possess the power to

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direct the management and policies of the Borrower since the date of the Regulatory Agreement or the most recent Annual Report?

Yes _____

No _____

If Yes, provide all the appropriate documents.

4. Have the Borrower's organizational documents been amended or otherwise modified since they were submitted to the City?

Yes _____

No _____

If Yes, provide all amendments and modifications of the Borrower's organizational documents.

5. Provide the City with independently audited financial statements for the Project for the most recent fiscal year, including an income and expense statement, a balance sheet listing assets and liabilities, a detailed schedule of operating, maintenance and administrative expenses and a cash flow statement.
6. Has the Borrower been a recipient of a federal grant during this year, as defined in Section 42 of the Code, or has there been any other event, either of which would cause a reduction in the Eligible Basis (as hereinafter defined) of any building in the Project?

Yes _____

No _____

If Yes, provide the details.

7. If the date of this Annual Report is not later than the first October 1 following the Termination Date, the following certifications apply:

- (a) The Borrower hereby certifies to the City that (1) the Project is in full compliance with all currently applicable provisions of the CDBG Regulations, (2) the Project shall continue to comply with the CDBG Regulations during the Project Term as required by the CDBG Regulations, and (3) no change shall occur in the Borrower or any general partner, if any, of the Borrower without the prior written consent of the City, except as may be permitted pursuant to Section 8 of the Mortgage.
- (b) The Borrower will provide to the City copies of each lease and each Tenant Certification executed in connection with the Low-Income Project since the later of the date of the Regulatory Agreement or the last

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Annual Report submitted to the City. For each such unit in the Low-Income Project, the Borrower will provide to the City the data with the respect to tenant characteristics as required by Section 2.20 of the Regulatory Agreement.

- (c) The Borrower will provide the City with evidence of compliance with Section 2.26 of the Regulatory Agreement since the later of the execution of the Regulatory Agreement or the last Annual Report, including copies of the notices given to prospective tenants regarding lead-based paint with the signature of each tenant in the Low-Income Project.

- (d) Did the Project cause the displacement of any People?

Yes _____

No _____

If Yes, the Borrower will provide evidence to the City of compliance with Section 2.24 of the Regulatory Agreement (The information required by this question need only be supplied to the City once.)

- (e) If the Project is not less than eight units, the Borrower will provide to the City payroll records of the General Contractor indicating compliance with the Davis-Bacon Act and the Contract Work Hours and Safety Standards Act.
- (f) The Borrower will provide to the City evidence of compliance with the affirmative marketing requirements of Section 2.34 of the Regulatory Agreement.

B. REPRESENTATIONS, WARRANTIES AND COVENANTS

The Borrower hereby represents and warrants to the City that each of the following statements is true and accurate and covenants as follows:

1. The Borrower is [check as applicable]:

- (a) _____ an individual.
(b) _____ a group of individuals.
(c) _____ a corporation incorporated and in good standing in the State of _____.
(d) _____ a general partnership organized under the laws of the State of _____.
(e) _____ a limited partnership organized under the laws of the State of _____.
(f) _____ other [please describe]: _____

2. The Borrower is [check as applicable] (a) _____ the owner

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of fee simple title to, or (b) _____ the owner of 100% of the beneficial interest in, the hereinafter described Project. The Borrower received an allocation of low-income housing tax credits from the City in the amount of \$_____ on _____, pursuant to Section 42 of the Code.

3. The Project consists of _____ building(s) containing a total of _____ residential unit(s).
4. If the date of this Annual Report is (a) not prior to the start of the Compliance Period and (b) not later than the first October 1 following the end of the Compliance Period, the following subparagraphs apply:
 - (a) _____ of the residential unit(s) (the "Tax Credit Eligible Units") in the Project is/are occupied by Qualifying Tenants (as hereinafter defined).
 - (b) For the 12-month period preceding the date hereof (the "Year"):
 1. [check as applicable] (i) _____ 20% or more of the residential units in the Project were both rent-restricted (within the meaning of Section 42(g)(2) of the Code) and occupied by individuals (the "Qualifying Tenants") whose income is 50% or less of area median income as adjusted for family size, or (ii) _____ 40% or more of the residential units in the Project were both rent-restricted (within the meaning of Section 42(g)(2) of the Code) and occupied by individuals (the "Qualifying Tenants") whose income is 60% or less of area median income as adjusted for family size;
 2. there was no change in the applicable fraction (as defined in Section 42(c)(1)(B) of the Code) of any building in the Project, or if there were any such changes, attached hereto as Schedule II is a true and complete description of all such changes;
 3. the Borrower has received an annual income certification from each Qualifying Tenant in substantially the form attached hereto as Schedule III or in such other form as shall have been approved by the City (a "Tenant Certification") and documentation to support that Tenant Certification (for a Qualifying Tenant receiving Section 8 housing assistance payments, such documentation may be a statement from the Chicago Housing Authority to the Borrower declaring that the Qualifying Tenant's income does not exceed the applicable income limit

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under Section 42(g) of the Code), and the Borrower assisted each of the Qualifying Tenants in completing the Tenant Certifications by referring to the instructions on Schedule IV attached hereto;

4. each Tax Credit Eligible Unit in the Project was rent-restricted (within the meaning of Section 42(g)(2) of the Code);
5. all of the units in the Project were for use by the general public and used on a nontransient basis (except for units used for transitional housing for the homeless provided under Section 42(i)(3)(B)(iii) of the Code, all of which units complied with the applicable requirements of Section 42 of the Code and the hereinafter defined Tax Credit Regulations);
6. each building in the Project was suitable for occupancy, taking into account the health, safety and building codes of the City;
7. there was no change in the "eligible basis" as defined in Section 42(d) of the Code (the "Eligible Basis") of any building in the Project, or if there were any such changes, attached hereto as Schedule V is a true and complete description of the nature of all such changes;
8. all tenant facilities included in the Eligible Basis of any building in the Project, such as swimming pools, other recreational facilities and parking areas, were provided on a comparable basis to all tenants in such building;
9. if a Tax Credit Eligible Unit became vacant during the Year, reasonable attempts were or are being made to rent such Tax Credit Eligible Unit or the next available residential unit in the Project of a comparable or smaller size to one or more Qualifying Tenants before any residential units in the Project were or will be rented to tenants who are not Qualifying Tenants;
10. if the income of any Qualifying Tenant increased above 140% of the applicable income limit described in (1) above, the next available residential unit in the Project of a comparable or smaller size was or will be rented to one or more Qualifying Tenants; and
11. the Regulatory Agreement constitutes an "extended low-income housing commitment" as defined in Section

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42(h)(6) of the Code and was in effect.

- (c) Any savings realized in a construction line item of the Project were either dedicated to the benefit of the Project through enhancement of the Project, or resulted in a decrease of the Project's Eligible Basis for purposes of calculating the Tax Credits for which the Project qualifies, and except as disclosed to and approved by the City, no amounts paid or payable to the Borrower as developer fees exceeded the amount set forth in the Borrower's original application for the Tax Credits and such fees will not be increased without the consent of the City.
 - (d) The Project constitutes a "qualified low-income housing project" as defined in Section 42 of the Code and the Tax Credit Regulations.
 - (e) All of the Schedule Is attached hereto constitute a true, correct and complete schedule showing, for the Year, the rent charged for each Tax Credit Eligible Unit in the Project and the income of the Qualifying Tenants in each Tax Credit Eligible Unit.
 - (f) None of the incomes of the Qualifying Tenants exceeds the applicable limits under Section 42(g) of the Code.
5. The Project is in compliance with all of the currently applicable requirements of the CDBG Act, the CDBG Regulations, the Regulatory Agreement, Section 42 of the Code, the applicable Treasury regulations under Section 42 of the Code (the "Tax Credit Regulations"), the terms of the City's letter reserving Tax Credits for the Project (the "Reservation Letter"), and, if applicable, the City's Housing Tax Credit Plan for the year in which the Project received its allocation of Tax Credits (the "Plan"). The Borrower will take whatever action is required to ensure that the Project complies with all requirements imposed by the CDBG Act, the CDBG Regulations, the Regulatory Agreement, Section 42 of the Code, the Tax Credit Regulations, the terms of the Reservation Letter and, if applicable, the Plan during the periods required thereby.

The Borrower shall retain all tenant selection documents, which include but are not limited to: income verification, employment verification, credit reports, leases and low-income computation forms, to be available for periodic inspections by the City or its representative. The City, at its option, can periodically inspect the Project, and all tenancy-related documents to determine continued compliance of the Project with all applicable requirements.

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6. No litigation or proceedings have been threatened (to the best of Borrower's knowledge) or are pending which may affect the interest of the Borrower in the Project or the ability of the Borrower to perform its obligations with respect thereto, except as disclosed on Schedule attached hereto.
7. The Borrower has taken affirmative action to ensure that women- and minority-owned businesses have had the maximum opportunity to compete for and perform as contractors for supplies and/or services, and will continue to do so with future contracts and awards as provided in Sections 2-92-420 through 2-92-570, inclusive, of the Municipal Code of Chicago, as from time to time supplemented, amended and restated.
8. All units in each building included in the Project are affirmatively marketed and, after completion of the rehabilitation of the Project, available for occupancy by all persons regardless of race, national origin, religion, creed, sex, age or handicap.
9. The Borrower, after completion of the rehabilitation of the Project, has not demolished any part of the Project or substantially subtracted from any real or personal property of the Project or permitted the use of any residential rental unit for any purpose other than rental housing. The Borrower has used its best efforts to repair and restore the Project to substantially the same condition as existed prior to the occurrence of any event causing damage or destruction, or to relieve the condemnation, and thereafter to operate the Project in accordance with the terms of the Regulatory Agreement.
10. The Borrower is in possession of all records which it is required to maintain pursuant to the terms of the CDBG Act, the CDBG regulations, the Regulatory Agreement, Section 42 of the Code, the Tax Credit Regulations and, if applicable, the Plan, as well as any additional records which the City has determined to be necessary to the compliance and administration of the Project.
11. The Borrower has not executed any agreement with provisions contradictory to, or in opposition to, the provisions of the Regulatory Agreement and in any event the requirements of the Regulatory Agreement are paramount and controlling as to the rights and obligations therein set forth and supersede any other requirements in conflict therewith. The Borrower shall continue to cooperate with the City and furnish such documents, reports, exhibits or showings as are required by the CDBG Act, the CDBG regulations, the Regulatory Agreement, Section 42 of the Code, the Tax Credit Regulations, the Plan (if applicable) and the City or the City's counsel.

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If the Borrower is unable to make any representation or warranty set forth above, the Borrower must immediately contact the City and inform the City of the reason that the Borrower is unable to make such representation or warranty; provided, however, that the foregoing shall not be deemed to negate any notice and/or cure periods available to the Borrower under the Loan Documents (as defined in the Regulatory Agreement).

Under penalties of perjury, the Borrower declares that, to the best of its knowledge and belief, each response, representation, warranty and document delivered by the Borrower in connection herewith is true, correct and complete and will continue to be true, correct and complete.

C. INDEMNIFICATION

The Borrower hereby agrees to fully and unconditionally indemnify, defend and hold harmless the City from and against any judgments, losses, liabilities, damages (including consequential damages), costs and expenses of whatsoever kind or nature, including, without limitation, attorneys' fees, expert witness fees, and any other professional fees and litigation expenses or other obligations, incurred by the City that may arise in any manner out of or in connection with actions or omissions which result from the Borrower's responses or documents provided pursuant to the terms of this Annual Report including breaches of the representations and warranties herein contained, other than those judgments, losses, liabilities, damages, costs and expenses arising out of the City's gross negligence or willful misconduct following the City's acquisition of title to or control of the Project, unless such act is taken in response to (1) any willful misconduct or negligent act or omission of the Borrower, the General Partner, if any, or the Owner, if any (as the last two terms are defined in the Loan Agreement), or (2) any breach (other than failure to repay the Loan) by the Borrower, the General Partner, if any, or the Owner, if any, of any provisions of the instruments executed by the Borrower, the General Partner, if any, or the Owner, if any, in connection with the Loan.

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IN WITNESS WHEREOF, the Borrower has executed this Annual
Report this _____ day of _____, _____.

BORROWER:

By: _____

Its: _____

Subscribed and sworn to before me this
_____ day of _____, _____.

Notary Public

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SCHEDULE I

Borrower: _____

Mailing Address: _____

Date of Regulatory Agreement: _____

Project Name and No.: _____

Building Address: _____

Building Identification Number: _____

1. Is the date of the attached Annual Report prior to the start of the Compliance Period for this Building?
_____ Yes _____ No [check one]. If "Yes," do not complete (2) or (3) but go directly to (4). If "No," proceed to (2).
2. Is the date of the attached Annual Report later than the first October 1 following the end of the Compliance Period for this Building? _____ Yes _____ No [check one]. If "Yes," do not complete (3) but go directly to (4). If "No," proceed to (3).
3. (a) Tax Credits Allocated to this Project: _____
(b) Number of Residential Rental Units in this Building:
Studios _____ 1 Br _____ 2 Br _____
3 Br _____ 4 Br _____ 5 or more Br _____
(c) Total Square Feet of space contained in Residential Rental Units in this Building: _____
(d) Total Number of Residential Rental Units rented to Tax Credit Eligible Families:
Studios _____ 1 Br _____ 2 Br _____
3 Br _____ 4 Br _____ 5 or more Br _____
(e) Total Eligible Basis of this Building: _____

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- (f) Amount reduced due to receiving a federal grant or for any other reason: (If applicable)

(g) Total Qualified Basis of this Building: _____

4. (a) Note utilities paid by tenants:

- (b) Note utilities paid by Borrower for which tenants reimburse Borrower:

- (c) For each Residential Rental Unit in the Project, provide the following:

TAX CREDIT ELIGIBLE UNITS:

<u>Unit</u>	<u>Br</u>	<u>Rent</u>	<u>Family's Income</u>	<u>Family Size</u>
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OTHER UNITS RENTED TO LOW-INCOME FAMILIES:

<u>Unit</u>	<u>Br</u>	<u>Rent</u>	<u>Family's Income</u>	<u>Family Size</u>
-------------	-----------	-------------	------------------------	--------------------

OTHER UNITS:

<u>Unit</u>	<u>Br</u>	<u>Rent</u>	<u>Family's Income</u>	<u>Family Size</u>
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5. Has the rent in any Low-Income Unit or Tax Credit Eligible Unit in the building identified above increased since the filing of the previous Annual Report, or, if this Annual Report is the first Annual Report filed with respect to such building, has the rent been increased from the amounts projected during the construction period?

Yes _____

No _____

If Yes, please provide details.

6. How many Low-Income Units or Tax Credit Eligible Units in this building are now occupied by tenants that did not occupy such units at the time of the last Annual Report filed for this building?

7. What steps did the Borrower take to insure that the new tenants qualified as Low-Income Families or Tax Credit Eligible Families, as applicable?

8. Have any Low-Income Families or Tax Credit Eligible Families been evicted since the time of the last Annual Report or if this report is the first Annual Report filed with respect to this building, since the initial rent-up of this building?

Yes _____

No _____

If Yes, please provide details.

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9. Has any legal or administrative action been instituted by any Low-Income Family or Tax Credit Eligible Family against the Borrower?

Yes ____

No ____

If Yes, please provide details.

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SCHEDULE II

CHANGES IN APPLICABLE FRACTION

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SCHEDULE III

TENANT CERTIFICATION

RE: _____
Chicago, Illinois

Name of Tenant (i.e., person(s)
whose name appears on the lease): _____

Address of Apartment: _____

Apartment Number: _____

Some or all of the cost of the apartment development in which you are to lease an apartment was financed by a loan made by the City of Chicago, Illinois (the "City") to the owner of the apartment development, through a U.S. Department of Housing and Urban Development program and by the use of low-income housing tax credits provided by the City for the development. In order for the development to continue to qualify for this loan and these tax credits, there are certain requirements which must be met with respect to the apartment development and its tenants. To satisfy one of those requirements it is necessary for you to provide the information requested in this Tenant Certification at the time you sign your lease and annually thereafter so long as you remain a tenant in the apartment development.

CERTIFICATION

I, the undersigned, state that I have read and answered fully, frankly and personally each of the following questions for all persons who are to occupy the unit in the above apartment development for which application is made, all of whom are listed on the following page:

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Income Computation (Anticipated Incomes)

<u>Name of Members of the Household</u>	<u>Relation- ship to Head of Household</u>	<u>Age (if 18 or under)</u>	<u>Social Security Number</u>	<u>Place of Employment</u>
_____	HEAD	_____	_____	_____
_____	SPOUSE	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

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1. On the lines below, indicate the anticipated income from all sources received by the family head and spouse (even if temporarily absent) and by each additional member of the family over the age of 18 during the 12-month period beginning this date:

<u>Name</u>	<u>Annual Wages/ Salary</u>	<u>Other Income</u>	<u>Total Income</u>

(Capital Assets)

2. If any of the persons described above (or whose income or contributions were included in item (1)) has any real property, savings, stocks, bonds or other forms of capital investment, excluding interest in Indian Trust land and equity in a housing cooperative unit or in a manufactured home in which the family resides and except for necessary items of personal property such as furniture and automobiles, provide:

- the total value of all such assets owned by all such persons: \$ _____,
- the amount of income expected to be derived from such assets in the 12-month period commencing this date: \$ _____, and
- the amount of such income which is included in item (1): \$ _____.

(Students)

3. a. Will all of the persons listed in column 1 above be or have they been full-time students during five calendar months of this calendar year at an educational institution (other than a correspondence school) with regular faculty and students?

Yes _____ No _____

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